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QUESTIONABLE PACE OF ECONOMIC GROWTH CONTINUES

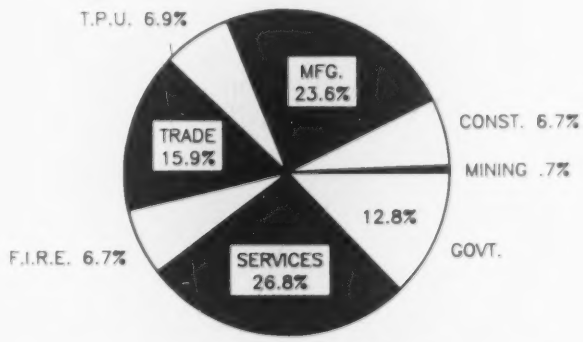
There are few signs of strength in the Pennsylvania economy based on trends through September. A review of recent issues of the *PBS* shows that the economy is in the midst of an economic slowdown. Trends in the Pennsylvania index of coincident indicators, which mirrors current conditions, provide evidence to support this contention. It has declined in each of the past three months and six of the past nine.

Manufacturing led a resurgence in the Pennsylvania economy over the 1987-1988 period. Production of goods moved briskly upward based on the Pennsylvania Manufacturing Activity Index (chart). The improvement in the health of manufacturing during the period was mostly in response to favorable capital spending trends and a greater competitiveness in international marketplaces on the part of U.S. manufacturers. Pennsylvania did not show signs of leading the turnaround. It may be argued that the Commonwealth trailed the rest of the nation. Manufacturing jobs grew 1.1 percent in Pennsylvania during 1988, a somewhat "inflated" growth rate in that labor-management difficulties in the primary metals industry artificially depressed job totals in 1987. Nationwide, growth came in at 2 percent. So, while manufacturing was turning in one of its strongest job performances in Pennsylvania in recent years during 1988 in adding more than 10,000 jobs, it appears that considerable room still remained for improvement.

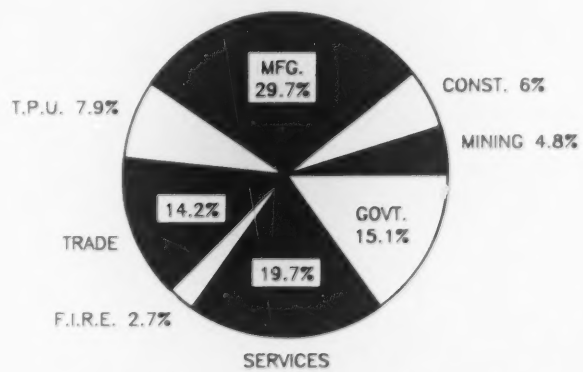
Although a great deal of weight should not be placed on short-term movements in the PMAI (see the October 1988 *Survey* for an explanation), its recent downtrend, coupled with trends in other indicators, suggests that **the manufacturing picture is deteriorating.** Factory job levels have declined in every month but two this year on a seasonally adjusted basis. In September, job levels, at 1,051,000, are below year-ago readings by 9,000. The downtrend in the average workweek continues, suggesting that hiring is not likely to increase in the near-term. Despite improvement in September, the growth in average weekly earnings for production workers has not been keeping up with price gains.

It is hard to deny that the importance of manufacturing in the Pennsylvania economy has diminished, although the degree to which it has is debatable. However, trends in recent years show that these industries still play a major role in determining the economy's health.

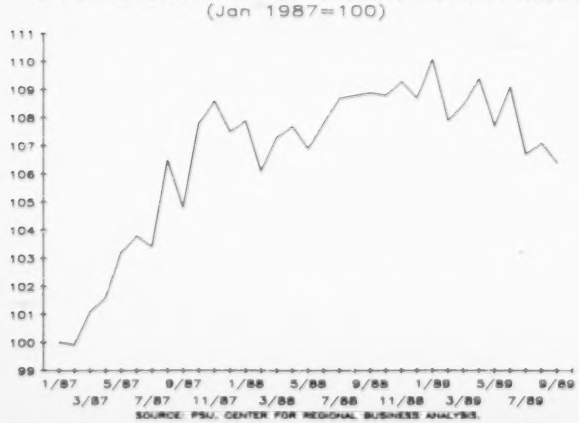
SHARE OF 1987 METRO PA EARNINGS BY INDUSTRY
(percent)



SHARE OF 1987 NONMETRO PA EARNINGS BY INDUSTRY
(percent)



THE PENNSYLVANIA MANUFACTURING ACTIVITY INDEX
(Jan 1987=100)



SOURCE: PSU, CENTER FOR REGIONAL BUSINESS ANALYSIS.

Manufacturing represents a larger share of overall nonfarm activity in the nonmetropolitan portion of Pennsylvania than in metropolitan areas. Factories account for 30 percent of earnings in Pennsylvania's nonmetro counties (as of 1987, the most recent year for which data are available) compared to 24 percent in metro counties (charts). Those industries most affected by local population and income bases such as services, finance, and trade, represent a larger portion of earnings in metro Pennsylvania. Mining's share of nonfarm earnings is nearly seven times greater in nonmetropolitan counties compared to the metro areas.

Trends in construction remain unimpressive although jobs continue to hold steady at record readings, 243,000 on a seasonally adjusted basis in September. **Housing has yet to show signs of responding to downward pressure on mortgage rates.** This year, permits for new housing units have tumbled 16 percent from a year ago. If there is any good news in these data, it is that September's 6.3 percent decline from a year ago is the second smallest decline this year. On the nonresidential side, September awards are down 18 percent on an annual basis and the year-to-date decline is 6 percent. This weakness is widespread across most of Pennsylvania's metropolitan areas. **On the bright side, the value of con-**

New Pennsylvania building permit authorizations (percent change from year ago)

	Sept.	Pct. chg.	Year-to-date	Pct. chg.
Residential	4,021	– 6.3	36,735	– 15.7
Nonresidential	1,788	– 17.5	17,589	– 5.9

Source: U.S. Dept. of Commerce, Bureau of the Census.

Economic Activity in Pennsylvania	UNADJUSTED DATA			SEASONALLY ADJUSTED DATA			SEASONALLY ADJUSTED INDEXES (1977 = 100)		
	1989		1988	1989		1988	1989		1988
	Aug.	*Sep.*	*Sep.*	*Aug.*	*Sep.*	*Sep.*	*Aug.*	*Sep.*	*Sep.*
Pennsylvania Industries									
All nonagricultural industries									
No. of wage and salary jobs (thous.)[1]	5,100*	5,125	5,075	5,081*	5,101	5,051	111.3	111.7	110.6
Nonmanufacturing									
No. of wage and salary jobs (thous.)	4,029*	4,070	4,012	4,030*	4,056	3,997	125.0*	125.8	124.0
Mining	28	28	29	28	28	29	57.9*	57.5	59.8
Contract construction	262	258	250	243	243	234	131.9*	131.9	127.3
Transportation	143	150	150	148	149	148	91.8*	92.3	91.7
Public Utilities	91	104	105	90	104	105	89.2	102.9	104.1
Wholesale trade	273*	271	271	271	270	270	122.1*	121.8	122.0
Retail trade	885*	886	886	882*	883	883	123.0*	123.1	123.2
Finance, insurance & real estate	301*	298	294	297*	297	293	136.7*	136.6	134.6
Service & miscellaneous	1,383	1,388	1,346	1,381	1,381	1,339	160.1	160.1	155.2
Federal government	140	140	140	140	140	141	109.3*	109.5	110.0
State & local government	524*	549	542	550*	562	555	94.4*	96.5	95.3
Manufacturing									
No. of wage and salary jobs (thous.)	1,056*	1,051	1,060	1,050*	1,045	1,054	78.3*	77.9	78.6
Durable goods	598*	595	604	596*	592	602	73.6*	73.2	74.3
Nondurable goods	458*	456	456	454*	452	452	85.3*	85.0	84.9
Ave. wkly. hrs. worked by prod. workers	40.5	40.7	41.4	40.6	40.5	41.2	102.7	102.5	104.2
Total wkly. person-hours worked (mils.)	29.5*	29.5	30.1	29.4*	29.2	29.8	76.7*	76.1	77.7
Total wkly. payroll (mil. dols.)	311.3*	314.3	312.5	312.6*	310.5	309.0	139.1*	138.2	137.5
Average hourly earnings (dollars)	10.56	10.65	10.37	10.61	10.62	10.34	181.4*	181.5	176.7
Average weekly earnings (dollars)	427.68	433.46	429.32	430.69	431.30	427.44	186.2*	186.4	184.8
Steel production (thous. tons)	917	831	1,179	n.a.	n.a.	n.a.	45.8	44.5	63.2
Industrial electric power sales (mil. kwh)	3,900	3,805	3,929	3,768	3,745	3,848	102.0	101.4	104.2
Mining									
Anthracite coal (thous. net tons)	334	322	315	283	294	284	57.9	60.3	58.1
Bituminous coal (thous. net tons)	6,268	6,220	5,907	6,004	6,037	5,929	85.1	85.6	84.1
Construction contracts awarded (mil. dols.)									
Total	954.4	845.5	811.1*	789.6	871.3	796.1*	245.4	270.8	247.5*
Residential building	442.7	444.5	396.1*	355.0	422.9	356.2*	252.2	300.5	253.1*
Nonresidential building	357.2	294.5	325.2*	307.2	313.2	326.3*	283.1	288.7	300.8*
Nonbuilding (utilities and public works)	154.4	106.4	88.7*	127.4	135.2	113.6*	175.7	186.5	156.8*
Employment of Pennsylvania Residents									
Employed, no. of persons (thous.)	5,686	5,625	5,584	5,523	5,571	5,530	114.9	115.9	115.1
Unemployed									
No. of persons (thous.)	233	237	297	246	243	304	61.4	60.5	75.9
Rate (percentage of labor force)	3.9	4.0	5.1						
Rate, seasonally adjusted	4.3	4.1	5.2						
Civilian labor force, no. of persons (thous.)	5,919	5,862	5,881	5,769	5,814	5,834	110.8	111.7	112.0
Initial claims for unemployment benefits	72,789	65,803	55,407	93,436	88,493	72,974	65.3	61.8	51.0

Consumer Prices, all items	Urban Indexes (1982-84 = 100) 1989 *Aug.*	1989 *Sep.*	1988 *Sep.*	Percentage Change *Month Ago*	*Year Ago*
U.S. city average	124.6	125.0	119.8	+0.3	+4.3
Philadelphia	129.1	130.2	125.2	+0.9	+4.0
Pittsburgh	120.8	n.a.	115.3&	n.a.	+4.8

[1] Total includes workers on strike. * = figure revised & = figure for August 1988 n.a. = data not available
SOURCES AND DEFINITIONS OF DATA ARE AVAILABLE ON REQUEST.

New PA metropolitan county bldg. permit authorizations (percent change from year ago; only those counties shown are asked to report all permitted activity)

	1989: IIIQ	Pct. chg.	Year-to-date	Pct. chg.
Residential units				
Allentown-Beth. MSA	616	-25.8	1,913	-33.7
Carbon	68	-9.3	193	-31.1
Lehigh	299	-23.9	952	-20.6
Northampton	249	-31.2	768	-45.4
Beaver County MSA	105	20.7	286	41.6
Philadelphia MSA	2,859	-16.8	8,810	-26.3
Bucks	595	-37.2	2,320	-27.0
Chester	1,003	5.9	2,551	-11.4
Delaware	293	-10.1	823	-38.2
Montgomery	793	-10.8	2,617	-13.7
Philadelphia	175	-46.6	499	-67.3
Pittsburgh MSA	1,137	-22.2	3,528	-20.5
Allegheny	609	-35.2	2,081	-28.8
Fayette	69	-45.2	251	-21.3
Washington	176	22.2	402	-4.5
Westmoreland	283	12.3	794	2.1
Adams County	183	-29.9	535	-25.8
Nonres. buildings				
Allentown-Beth. MSA	533	-24.1	1,573	-12.5
Carbon	27	-46.0	86	-30.6
Lehigh	239	-17.0	719	0.8
Northampton	267	-26.6	768	-20.1
Beaver County MSA	90	-17.4	244	-19.7
Philadelphia MSA	1,378	-20.4	4,024	-9.2
Bucks	423	-38.2	1,251	-29.1
Chester	349	-4.1	970	5.3
Delaware	156	-33.9	441	-15.2
Montgomery	403	0.0	1,240	11.9
Philadelphia	47	4.4	122	3.4
Pittsburgh MSA	724	3.0	1,987	6.3
Allegheny	379	6.2	1,045	14.6
Fayette	78	-17.0	209	-7.9
Washington	120	-6.3	322	-13.7
Westmoreland	147	18.5	411	14.8
Adams County	83	-7.8	237	21.5

Source: U.S. Dept. of Commerce, Bureau of the Census.

Pennsylvania retail sales (millions of dollars; pct. chg. from year ago)

	August	Pct. chg.	Year-to-date	Pct. chg.
Total	7,048	4.9	52,083	3.0
Durables	2,756	5.4	19,516	-0.3
Bldg. mat.		-11.1		-4.7
Auto dlrs.		5.2		-4.8
Furniture		10.4		18.4
Other		18.1		9.9
Nondurables	4,292	4.5	32,567	5.0
Gen. mdse.		3.1		0.1
Food/grocery		4.0		4.7
Gas		-0.8		4.0
Apparel		5.3		5.6
Eat/drink		7.3		6.0
Drugs		6.7		11.5
Other		6.5		8.5
Seas. adj. total: August		6,903		
July		6,719		

Source: Tot./Dur./Nondur.-U.S. Dept. of Commerce, Bur. of the Census. Seas. adj. total-PSU, Ctr. for Reg. Bus. Analysis.
Data in the sub-categories of the durable and nondurable groups are subject to relatively large sampling variability. As a result, only pct. changes are shown.

struction contract awards is up in September on a seasonally adjusted basis from August in all three categories tracked: residential building, nonresidential building, and nonbuilding activity. For the year, total values are up more than 7 percent, although a fair portion of the gain is accounted for by inflation.

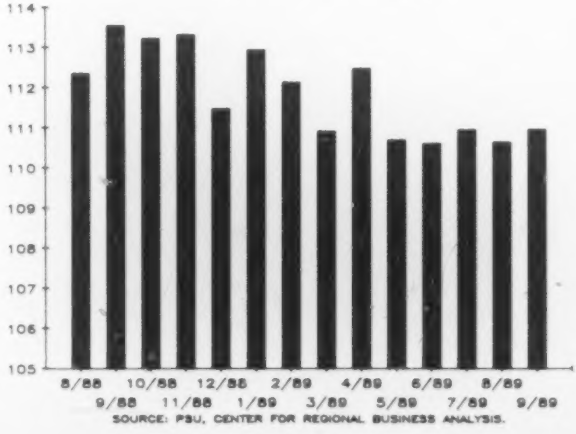
Retail sales growth picked up in August, the most recent month for which data are available as they are up from July readings after seasonal adjustment. Sales are up 4.9 percent compared to a year ago while year-to-date growth comes in at 3 percent. **Much of the improvement can be traced to automotive dealers and may represent increased vehicle sales in response to incentives.** For the year, auto dealer sales are down 4.8 percent. However, in August, they are up 5.2 percent. Nationwide, automotive-related sales are up 2.7 percent so far in 1989.

Caution is again advised in interpreting job trends in the nonmanufacturing sector. Jobs are up by 41,000 in September to 4,070,000, a gain which is 26,000 greater than expected based on past trends. The return to work of several thousand workers in the public utilities industry affected by a labor-management dispute in August is responsible for some of the gain. Typically, there is a large increase in State and local government jobs in September as a new school year begins. This year, the gain is abnormally large. There are a number of reasons why this may be. Perhaps the timing of the data collection process played a role or the number of employees affected by labor disputes may have differed from previous years. If trends such as these did bring about the large gain, it is likely that "corrections" in the form of a downtrend in job readings, will occur in coming months. More data are required to determine if the gain is a "statistical fluke" or a true reflection of job trends in this sector.

There is improvement in the resident employment picture in September. Employment is up by 50,000, seasonally adjusted, to 5,571,000. The employment gain is strong enough to absorb an increase in the labor force and put downward pressure on joblessness. The unemployment rate comes in at 4.1 percent, seasonally adjusted, down from 4.3 percent in August. **Since a record level of employment was attained in March, employment has slipped in four of six months.**

The Pennsylvania economy is struggling. While some

PENNSYLVANIA COMPOSITE INDEX OF LEADING INDICATORS
(Jan 1972=100)



SOURCE: PSU, CENTER FOR REGIONAL BUSINESS ANALYSIS.

sectors move forward, albeit most of them at a slower pace, the pockets of weakness in the factory sector, construction, and retail trade have put a damper on the overall situation. Still, we hesitate to change our "no recession in the near future" outlook. Indeed, the index of leading indicators for Pennsylvania is up slightly in September (chart), the second increase in three months. However, the economy is likely to struggle to turn in even an "average" performance.

— William D. Anderson

Around the State

Northeastern Quarter

Allentown-Bethlehem

Third quarter trends in the Allentown-Bethlehem metropolitan area suggest that the economy is struggling. At best, the several broad indicators used to gauge the economy's strength suggest a holding pattern. In rising by 200 to 321,300, third quarter employment growth is 6,600 less than expected based on past seasonal patterns. The jobless rate is up 0.3 percentage point, seasonally adjusted, from the second quarter to 4.3 percent. Third quarter employment is still the highest reading for the period on record. The region is turning in a performance identical to Statewide norms over the short- and long-runs. So far this year, employment is up 3.1 percent in the region compared to 2.9 percent in Pennsylvania. In 1979, the three Pennsylvania counties accounted for 4.9 percent of the Commonwealth's employment compared to 5 percent in 1988.

Job growth in nonagricultural establishments has slowed in the past two quarters. During the first quarter of this year, nonfarm jobs were up 2.3 percent from a year ago. In the third quarter, the gain is just 0.9 percent. Job levels, at 282,500, still stand at their highest third quarter reading on record and are off only slightly from the all-time high set in this year's second quarter.

After holding steady for two years, factory jobs are on the decline, falling in the past three quarters after seasonal adjustment. Third quarter brought another record low job total, 76,600. The average workweek, a leading indicator of hiring trends, has been on a downtrend since peaking in late 1987. Industrial power sales, an indicator of production activity, have declined erratically in 1989.

Nonmanufacturing job gains are slowing. In the first quarter, jobs were up 2.9 percent on an annual basis. Job growth comes in at 2.1 percent in the third quarter. After adjusting for seasonality, the 205,600 nonmanufacturing jobs in the July-September period are down slightly from second quarter's record. Construction contract awards are down this year. The number of new housing units authorized by permit is off one-third from the first three quarters of 1988 with an especially large drop in Northampton County. Permit authorizations for nonresidential buildings are off 13 percent. Despite these trends, construction jobs are up by 500 so far in 1989.

There is not likely to be a sustainable uptick in overall activity in the near future. At the same time, a prolonged period of growth prior to this year's slowdown left the economy on solid ground. It will take more than the weakness seen in recent months to plunge the economy into a recession.

Scranton-Wilkes-Barre

Signs of weakness detected in the second quarter proved to be correct. The economy of the Scranton-Wilkes-Barre metropolitan area displays a definite downtrend in this year's third quarter. Still, it is best to avoid taking an overly pessimistic view. While growth has slowed, it remains positive. Gains are evident compared to a year ago.

The nearly uninterrupted uptrend in nonmanufacturing jobs since 1983 has come to a gradual end. Third quarter job readings are up 2,900 from a year ago at 231,900. However, job levels are unchanged from where they began the year after normal seasonal trends are eliminated. Over the 1982-1988 period, retail trade job growth averaged 4 percent per year in the region. So far this year, job growth is less than 1 percent compared to 1988's first three quarters. This reflects a softening trend in the retail trade sector throughout Pennsylvania and the U.S.

Trends in the construction sector are hard to pinpoint. Job levels are up by 800 on a year-to-date basis. Residential contracts, at $285 million so far this year, are up 13 percent. The $125 million in nonresidential contracts is down 11 percent. A sample of permit-issuing authorities suggests that the downtrend in new housing activity which began last year after five years of gains continues into 1989.

After showing signs of leveling off in 1987 and 1988, factory job levels have once again receded to a record low. The third quarter sees manufacturing jobs, at 70,900, below a year ago for the first time since 1988:IQ. Job levels have declined on a seasonally adjusted basis in each of the past two quarters. For the year, durable goods jobs are off by 200 from the first nine months of last year while the decline is 500 on the nondurable goods side. The region's largest employer in manu-

Allentown-Bethlehem Area[1]

	Ave. mo. value	Average monthly index seas. adj. (1977 = 100)		
	3 Q.'89	*3 Q.'89*	*2 Q.'89*	*3 Q.'88*
Employment *(in thousands)*				
Employed, no. of residents	321.3	115	118	114
Unemployed, no. of residents	13.9	71	66	71
Rate, seasonally adjusted	4.3			
Civilian labor force, no. of residents	335.1	112	114	111
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	282.5	110	110	109
Nonmfg. only, no. of jobs	205.6	138	138	135
Mfg. only, no. of jobs	76.6	71	71	72
Hrs. worked by production workers in mfg., *ave. weekly*	39.5	103	103	105
Industrial electric power sales				
Metropolitan area	***	107	110	113
Allentown	***	94	98	99
Bethlehem	***	115	118	122
Easton	***	114	115	117
Construction contracts awarded *(in millions of dollars)*	'89 Ytd (Jan-Sept)	Pct Change From Year-Ago Ytd		
Residential contracts only	263.8	−16		
Nonresidential contracts only	162.9	−12		

[1]Lehigh, Northampton, and Carbon Counties, Pa., and Warren County, N.J.

facturing, the apparel industry, has lost 500 jobs this year. This industry has been especially hard-hit by the structural changes which have rocked the economy in recent years. In Luzerne County, more than 6,500 apparel jobs have been eliminated since 1979. Luzerne County still accounts for nearly 50 percent of the apparel jobs maintained in the five-county region. Not surprisingly, the County's jobless rate, at 5.7 percent in the third quarter, is the highest in the metro area.

Third quarter trends in employment and unemployment show considerable deterioration. At 348,400, employment is up by 2,600 from the second quarter to stand at the highest July-September reading on record. This gain is only one-fourth the advance expected based upon past seasonal patterns. The gain of 2,000 from a year ago is the smallest annual advance since the third quarter of 1984. Because the third quarter decline in seasonally adjusted employment is accompanied by a decline of similar magnitude in the labor force, the jobless rate remains unchanged at 5.3 percent. This represents a decline of 0.6 percentage point from a year ago.

Williamsport

Third quarter brought with it additional evidence of a slowdown in the Lycoming County economy. Employment readings are down for the second straight quarter on a seasonally adjusted basis. During the first three months of the year, employment was 2,400 greater than a year ago. During the second quarter, it was up by 2,000. The third quarter finds employment up by just 300 to 58,000. The labor force is up by 500 between the third quarters of 1988 and 1989, resulting in an uptick in unemployment of 200 residents. As a result, the jobless rate, at an unadjusted 5.1 percent during the most recent July-September period, is up 0.4 percentage point compared to a year ago.

Unlike elsewhere in the State, nonmanufacturing job growth is on an uptrend in the Williamsport region. Between 1982 and 1988, job growth averaged 2.9 percent each year. So far this year, nonfactory jobs are increasing at a 3.9 percent clip. The 35,800 positions in the third quarter represent a new record after seasonal adjustment. Jobs in the services industries are up by 500 on a year-to-date basis. Retail trade jobs are 200 higher than a year ago. The value of construction contract awards is up one-fifth on the residential side this year but down by one-half for nonresidential projects.

The cause of the slowdown in the pace of overall job growth in recent months is found in the factory sector. Between 1983 and 1988, these industries added 2,700 jobs in rising every year but one. So far this year, jobs are down by 600 compared to the first nine months of 1988. Industrial power sales are more than holding their own, but the average factory workweek has declined considerably since the beginning of 1988. With manufacturing expected to stay weak across the nation, economic growth will remain unimpressive in Lycoming County over the near-term. The mid 1980s were exceptionally strong in the region as manufacturing led the way. Now that the factory sector has cooled, the economy as a whole will follow suit.

Scranton-Wilkes-Barre Area[1]

	Ave. mo. value 3 Q '89	Average monthly index seas. adj. (1977 = 100) 3 Q '89	2 Q '89	3 Q '88
Employment *(in thousands)*				
Employed, no. of residents				
Metropolitan area	348.4	120	123	120
Lackawanna County[2]	106.1	115	117	114
Luzerne County[3]	154.1	114	116	113
Unemployed, no. of residents				
Metropolitan area	18.8	61	62	68
Rate, seasonally adjusted	5.3			
Lackawanna County[2]	5.7	59	57	60
Luzerne County[3]	9.3	58	64	71
Civilian labor force, no. of residents				
Metropolitan area	367.2	114	117	114
Lackawanna County[2]	111.8	110	112	109
Luzerne County[3]	163.4	108	111	108
Local industries, Metropolitan area *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	303.4	116	116	115
Nonmfg. only, no. of jobs	231.9	130	130	128
Mfg. only, no. of jobs	70.9	85	86	86
Hrs. worked by production workers in mfg., *ave. weekly*	38.9	n.a.	n.a.	n.a.
Industrial electric power sales				
Metropolitan area[4]	***	118	120	112
Lackawanna County[2]	***	134	134	127
Luzerne County[3]	***	106	108	96
Hazleton	***	94	98	86
Wilkes-Barre	***	114	112	101
Construction contracts awarded *(in millions of dollars)*	'89 Ytd (Jan-Sept)	Pct Change From Year-Ago Ytd		
Residential contracts only	285.0	+13		
Nonresidential contracts only	125.1	−11		

[1]Columbia, Lackawanna, Luzerne, Monroe, and Wyoming Counties
[2]Includes Scranton
[3]Includes Wilkes-Barre and Hazleton
[4]Excludes Wyoming County

Southwestern Quarter

Altoona

Nonfarm job growth in Blair County is down considerably this year. Between 1983 and 1988, nonagricultural jobs grew 2.4 percent per year, on average. This year, growth is 0.8 percent compared to the first nine months of 1988. On the nonmanufacturing side, growth in those industries which have accounted for the bulk of all new jobs in recent years is also showing signs of easing. The 42,000 positions in these industries during the third quarter represent a gain of just 1.4 percent from last year, just one-half the gain averaged over

Williamsport Area[1]

	Ave. mo. value 3 Q '89	Average monthly index seas. adj. (1977 = 100) 3 Q '89	2 Q '89	3 Q '88
Employment *(in thousands)*				
Employed, no. of residents	58.0	120	124	120
Unemployed, no. of residents	3.1	77	76	72
Rate, seasonally adjusted	5.7			
Civilian labor force, no. of residents	61.1	117	119	116
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	51.7	112	113	111
Nonmfg. only, no. of jobs	35.8	127	127	123
Mfg. only, no. of jobs	15.8	88	91	92
Hrs. worked by production workers in mfg., *ave. weekly*	39.6	101	102	106
Industrial electric power sales	***	101	94	102
Construction contracts awarded *(in millions of dollars)*	'89 Ytd (Jan-Sept)	Pct Change From Year-Ago Ytd		
Residential contracts only	24.1	+19		
Nonresidential contracts only	8.6	−49		

[1]Lycoming County

Altoona Area[1]

	Ave. mo. value	Average monthly index seas. adj. (1977 = 100)		
	3 Q '89	*3 Q '89*	*2 Q '89*	*3 Q '88*
Employment *(in thousands)*				
Employed, no. of residents	58.3	108	110	106
Unemployed, no. of residents	3.3	94	90	110
Rate, seasonally adjusted	5.9			
Civilian labor force, no. of residents	61.6	107	109	107
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	52.9	101	102	101
Nonmfg. only, no. of jobs	42.0	108	108	106
Mfg. only, no. of jobs	10.9	82	82	84
Hrs. worked by production workers in mfg., *ave. weekly*	39.7	104	105	106
Industrial electric power sales	***	78	76	77
Construction contracts awarded *(in millions of dollars)*	'89 Ytd (Jan-Sept)	Pct Change From Year-Ago Ytd		
Residential contracts only	11.5	-31		
Nonresidential contracts only	25.9	-35		

[1]Blair County

Johnstown Area[1]

	Ave. mo. value	Average monthly index seas. adj. (1977 = 100)		
	3 Q '89	*3 Q '89*	*2 Q '89*	*3 Q '88*
Employment *(in thousands)*				
Employed, no. of residents	91.6	93	94	92
Unemployed, no. of residents	6.8	70	59	68
Rate, seasonally adjusted	7.5			
Civilian labor force, no. of residents	98.4	90	91	89
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	81.0	91	91	90
Nonmfg. only, no. of jobs	66.9	99	100	99
Mfg. only, no. of jobs	13.5	63	64	63
Hrs. worked by production workers in mfg., *ave. weekly*	38.8	100	101	100
Industrial electric power sales	***	139	164	194
Construction contracts awarded *(in millions of dollars)*	'89 Ytd (Jan-Sept)	Pct Change From Year-Ago Ytd		
Residential contracts only	36.5	-16		
Nonresidential contracts only	53.5	+148		

[1]Cambria and Somerset Counties

the 1983-1988 period. Year-to-date declines of approximately one-third in the value of contracts awarded along with trends in construction jobs which, at best, point to a holding pattern, suggest that building activity may have peaked. However, a sample of permit-issuing authorities suggests that the number of new housing units authorized is on the upswing.

Factory job levels continue on the downtrend that has been evident since the beginning of 1988. The 10,900 factory jobs in the third quarter represent a decline of 200 from a year ago. Compared to the first quarter of 1988, about 600 manufacturing jobs have been lost after adjustment for normal seasonal ups and downs. The average workweek has trended down so far this year which suggests that the manufacturing employment picture is unlikely to improve in the near-term. On the bright side, industrial power sales to industry, a proxy for production trends, appear to be holding their own.

The slowing expansion is especially evident in third quarter resident employment and unemployment trends. Although employment is up by 1,200 from the second quarter in settling at 58,300, the gain is only about one-half that expected based on past seasonal trends. Partly as a result, the seasonally adjusted jobless rate inched upward by 0.1 percentage point to 5.9 percent. Still, improvement is noted from a year ago, suggesting that despite the recent weaknesses, growth remains positive.

Johnstown

After several months in which the economy of Cambria and Somerset Counties grew at an increasing rate, trends so far in 1989 suggest that growth may have topped out, at least for the time being. Since reaching a post-recession high in March, seasonally adjusted employment levels have slipped in four of the past six months. At 91,600, the number of residents officially listed as employed during the July-September period is up by just 1,000 from a year ago, the smallest gain since the same period in 1987. This gain absorbs only a portion of the increase in the labor force, pushing the number of unemployed up by 200 compared to 1988:IIIQ. The end result is a jobless rate of 6.9 percent, unadjusted, up 0.1 percentage point from a year ago.

Third quarter's downtrend in factory jobs is deceiving. Labor difficulties on the durable goods side artificially depressed September's numbers by a considerable amount. Through the first eight months of the year, job levels were up by 200 or 1.9 percent from the same period a year ago. This is similar to the growth trends evident since 1983. During this year's first eight months, durable goods jobs were up by 300 while a decline in jobs was registered on the nondurables side. Both the average workweek and sales of electricity to industrial customers have moved erratically down during 1989.

Although nonmanufacturing job growth so far this year has matched growth rates from the past five years, some within-year slowing is evident. As of this year's first quarter, nonfactory jobs were up by 1,500 from a year ago. In the third quarter, the gain is only 400, the smallest since the second quarter of 1986, as jobs have settled at 66,900. On a seasonally adjusted basis, job levels have receded a bit in each of the past two quarters. Some specific sectors, however, are up considerably, perhaps related to the inflow of tourist-related activity during the commemoration of the 100*th* anniversary of the "Johnstown flood." Service jobs are up by 400 so far this year. Retail trade jobs are up by 700 or 5.2 percent. Statewide, retail trade jobs are up less than one percent. The value of residential contract awards is down 16 percent on a year-to-date basis while nonresidential awards have more than doubled from a year ago.

All told, nonfarm job gains are on the decline so far this year. During the first quarter, there were 2.2 percent more jobs in the bi-county area's nonagricultural establishments compared to a year ago. That gain slipped to 1.5 percent in the second quarter before coming in at 1.3 percent in the most recent three-month period. Still, it is probably appropriate to end on a bright note. Although it can be argued that the economy's strength is waning a bit, growth is still evident.

Pittsburgh-Beaver Valley

Few signs of strength are evident in the five counties of the Pittsburgh-Beaver Valley region based upon third quarter trends. While gains have been recorded, the region has not

kept pace with growth in the State or relative to the nation throughout the recovery. Trends this year provide little evidence that this pattern has been reversed.

Statewide nonfarm job growth averaged 2.1 percent per year between 1983 and 1988. In the Pittsburgh metro area, growth averaged less than 1 percent while jobs decreased in Beaver County. During this year's first nine months, jobs are up 1.4 percent in Pennsylvania and 1.3 percent in the Pittsburgh region while Beaver County's downtrend continues. The relatively poor performance during the recovery is evident throughout the region. The number of Pennsylvania workers covered by unemployment compensation laws grew 2.7 percent, on average, over the 1983-1988 period. Comparable growth rates in the region were: 1.5 percent in Allegheny, 1.9 percent in Fayette, 2.1 percent in Washington, 1.6 percent in Westmoreland, and -2.3 percent in Beaver.

There are signs of softening in nonmanufacturing jobs. In the Pittsburgh region, growth so far this year is down from previous years. Third quarter's 759,800 nonfactory positions are unchanged from the pervious three months. A gain of 900 typically occurs because of seasonal trends. Jobs are up by 9,200 from a year ago. In Beaver County, the 39,500 nonfactory positions maintained in establishments during the third quarter represent a decline of 300 from a year ago, the only metro area to record a drop.

The number of new housing units authorized by permit in the Pittsburgh area is down one-fifth this year with Westmoreland County realizing the only gain at 2.1 percent. Beaver County authorizations are up nearly one-half. The number of Beaver County nonresidential permits is down one-fifth while they are up 6 percent in the Pittsburgh portion of the area. The value of contract awards is up on the nonresidential side and for residential projects in Beaver County in 1989. Pittsburgh metro area awards for residential projects are down 6 percent. Construction jobs are down by 1,200 in Pittsburgh through this year's first three quarters. In Beaver County, jobs in the "construction and mining" category are off by 600.

Factory job trends remain unimpressive. In Beaver County, jobs plunged between 1980 and 1985. Since then, they have drifted only slightly downward. In the Pittsburgh area, job levels have been drifting slightly upward since they bottomed out at the beginning of 1987 but they remain barely above all-time lows. The average workweek is up by more than two hours compared to last year's third quarter in Beaver County but it is down by 0.5 hour in the Pittsburgh region. Industrial power sales appear to be holding their own.

There is a large drop in the number of residents counted as employed in the third quarter after seasonal adjustment, the second consecutive decline in both the Pittsburgh area and Beaver County. In both regions, net outflows from the labor force have contributed to recent declines in jobless readings. Nothing on the horizon is likely to force the economy onto a higher growth path. A generally sluggish performance on the part of the nation's economy is likely to remain in force for several months. Until some improvement is noted nationwide, conditions are unlikely to improve in southwestern Pennsylvania.

Pittsburgh[1]-Beaver Valley[2] Area

	Ave. mo. value	Average monthly index seas. adj. (1977 = 100)		
	3 Q '89	*3 Q '89*	*2 Q '89*	*3 Q '88*
Employment *(in thousands)*				
Employed, no. of residents				
Pittsburgh[1]	945.3	106	108	105
Beaver County	55.7	64	66	65
Unemployed, no. of residents				
Pittsburgh[1]	40.8	63	71	82
Beaver County	4.0	63	66	82
Unemployment Rate, seas. adj.				
Pittsburgh[1]	4.2			
Beaver County	6.8			
Civilian labor force, no. of residents				
Pittsburgh[1]	986.1	103	106	104
Beaver County	59.7	64	66	66
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs				
Pittsburgh[1]	888.9	101	101	100
Beaver County	48.9	63	64	65
Nonmfg. only, no. of jobs				
Pittsburgh[1]	759.8	116	116	115
Beaver County	39.5	104	104	105
Mfg. only, no. of jobs				
Pittsburgh[1]	127.6	58	57	57
Beaver County	9.4	24	25	25
Hrs. worked by production workers in mfg., *ave. weekly*				
Pittsburgh[1]	41.6	n.a.	n.a.	n.a.
Beaver County	43.8	n.a.	n.a.	n.a.
Industrial electric power sales	***	63	62	66
Construction contracts awarded *(in millions of dollars)*	'89 Ytd (Jan-Sept)	Pct Change From Year-Ago Ytd		
Residential contracts only				
Pittsburgh[1]	402.2	- 6		
Beaver County	19.4	+18		
Nonresidential contracts only				
Pittsburgh[1]	493.4	+ 8		
Beaver County	22.9	+55		

[1]Allegheny, Fayette, Washington and Westmoreland Counties
[2]Beaver County

State College

September's strong showing partially offset a sluggish employment performance in recent months, though it is not enough to prevent a minimal decline in third quarter seasonally adjusted employment. After peaking in March, adjusted employment had declined in three of five months prior to September. Third quarter typically results in a seasonal employment increase of 900. In the most recent three-month period, employment is up by 800 from the second quarter. Since 1988's third quarter, employment is up by 2,100, a gain strong enough to reduce unemployment by 500 and absorb an increase in the labor force totaling 1,500. The jobless rate is down 0.9 percentage point to 4 percent, unadjusted. Employment growth in 1989, at 4.9 percent, is up from the 1982-1988 average of 3.8 percent.

Nonfarm job growth, at 3.2 percent so far this year, is practically unchanged from the 3.3 percent averaged between 1982 and 1988. Factory jobs continue to climb upward at a slow pace. Compared to the first nine months of 1988, they are up 2.1 percent. Statewide, factory jobs are unchanged from a year ago. Although manufacturing does not play a large role in the Centre County economy, the danger is that the weakness evident in the factory sector nationwide will spread into other sectors, such as services and retail trade. It is through these indirect impacts that the region will feel the impacts of a manufacturing-led slump.

Nonmanufacturing continues to provide most new jobs in the region as third quarter finds 48,800 positions in these

State College Area[1]

	Ave. mo. value 3 Q '89	Average monthly index seas. adj. (1977 = 100) 3 Q '89	2 Q '89	3 Q '88
Employment *(in thousands)*				
Employed, no. of residents	62.1	147	147	142
Unemployed, no. of residents	2.6	99	104	120
Rate, seasonally adjusted	4.2			
Civilian labor force, no. of residents	64.7	144	145	141
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	56.6	142	140	136
Nonmfg. only, no. of jobs	48.8	145	143	139
Mfg. only, no. of jobs	7.9	124	124	121
Hrs. worked by production workers in mfg., *ave. weekly*	38.5	n.a.	n.a.	n.a.
Industrial electric power sales	***	138	139	130
Construction contracts awarded *(in millions of dollars)*	'89 Ytd (Jan-Sept)	Pct Change From Year-Ago Ytd		
Residential contracts only	51.5	– 4		
Nonresidential contracts only	78.7	+78		

[1]Centre County

establishments, up 2,100 from a year ago and another record high after seasonal adjustment. Retail trade continues to be a strong performer in adding 500 jobs this year despite signs in the State that sales growth is slowing. Construction-related jobs are up by 100 on a year-to-date basis. New housing units authorized by permit appear to be holding steady according to a sample of permit issuing authorities. The value of residential construction contracts is off only slightly from a year ago so far in 1989. Contract values on the nonresidential side are up 78 percent. Recent economic trends are far from discouraging in Centre County. At worst, growth may have slipped a bit. Most indicators suggest that the economy continues to operate at a record high.

Northwestern Quarter

Erie

Throughout much of the 1980s, the Erie County economy performed poorly relative to the rest of the State. With the factory sector once again contributing to the region's economic gains, Erie County grew at a pace which was at least on par with the rest of the Commonwealth during 1987 and 1988 and arguably even higher. Statewide, several indicators suggest that economic growth has slowed this year. In the Erie metro area, signs of a slowdown are apparent in some trends, but they do not seem as prevalent as in the State as a whole.

The third quarter employment gain is not as strong as expected. At 128,400, employment during the July-September period is up by 1,800 from the second quarter. Past trends suggest that employment should rise by twice that amount. The end result is the second consecutive decline in seasonally adjusted employment. Still, employment so far this year is up by 5,000 from the first three quarters of 1988. Partly as a result of the region's strong employment showing in recent months, the jobless rate continues to move down. Third quarter's 4.4 percent reading is the lowest for the period since 1974. Some of the long-run decline in joblessness is the result of a net outflow of residents from the region. Between 1980 and 1987, 12,900 more residents left the County than moved into the region. The net outflow of residents translates into 4.6 percent of the 1980 population. Statewide, the net outflow amounted to 1.7 percent of the 1980 population.

Trends in nonmanufacturing remain impressive. The 81,500 nonfactory positions in the third quarter translate into a record high. Construction jobs are up slightly so far in 1989. The value of construction contract awards is also up this year. The results of a sample of appropriate authorities suggest that the number of new housing units authorized by permit is on the rise.

Factory job levels continue to move slowly upward in Erie County, just as they have since 1987. The 35,800 third quarter positions represent a gain of 3[illegible] from a year ago. The average workweek and sales of electricity to industry continue to fluctuate around record highs. Durable goods jobs are up by 500 on a year-to-date basis while nondurable goods positions are unchanged. These industries will again play a major role in determining the future health of the economy. Much of the sluggishnes in the nation's economy of late is attributable to a weakening industrial sector. Should those difficulties filter into Erie County, the region may be in for some rough times. However, should the U.S. factory sector rebound, as it has done in the past during this recovery, Erie County may be in for a period of strong economic growth.

Sharon

Despite a drop in the seasonally adjusted level of employment during the third quarter, the Mercer County economy remains on fairly solid ground. The number of residents officially listed as employed during the July-September period is unchanged from the second quarter at 50,800. The failure of the region to match the expected seasonal gain of 800 results in the adjusted decline. Still, so far this year, employment is up 6.3 percent from 1988. Statewide, the advance is 2.9 percent. Third quarter's 3.9 percent unadjusted jobless rate is the lowest for the period on record, dating back to 1970.

In absolute terms, the area's nonmanufacturing establishments continue to provide the bulk of all new jobs. Through this year's first nine months, nonfactory jobs have averaged

Erie Area[1]

	Ave. mo. value 3 Q.'89	Average monthly index seas. adj. (1977 = 100) 3 Q.'89	2 Q.'89	3 Q.'88
Employment *(in thousands)*				
Employed, no. of residents	128.4	113	114	111
Unemployed, no. of residents	6.0	67	70	83
Rate, seasonally adjusted	4.7			
Civilian labor force, no. of residents	134.4	109	111	109
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	117.3	106	105	104
Nonmfg. only, no. of jobs	81.5	120	119	117
Mfg. only, no. of jobs	35.8	84	83	83
Hrs. worked by production workers in mfg., ave. *weekly*	42.9	104	104	105
Industrial electric power sales	***	110	117	115
Construction contracts awarded *(in millions of dollars)*	'89 Ytd (Jan-Sept)	Pct Change From Year-Ago Ytd		
Residential contracts only	71.1	+66		
Nonresidential contracts only	42.2	+ 1		

[1]Erie County

32,200, up by 1,300 from a year ago. The region's largest industry, services, has added 400 jobs so far this year while retail trade jobs are up by 600. At 4 percent, the increase in nonmanufacturing jobs so far this year is more than twice as large as Pennsylvania's 1.7 percent. However, nonfactory job growth in Mercer County has trailed that for Pennsylvania throughout much of the recovery. Between 1983 and 1988, job growth averaged 1.5 percent in the Sharon metro area compared to 3 percent Statewide. It will take more than a year or two of positive trends to make up for the ground lost earlier in the decade.

Manufacturing jobs have been on the rise in the region since 1987. Although several thousand factory jobs have been lost over the past decade, trends in these industries still are a major determinant of the overall economy's health. It was not just a coincidence that the current uptick in economic activity began at the same time that the factory sector started to move ahead. The 11,600 manufacturing jobs in the third quarter represent a gain of 500 from the same three months in 1988. For the year as a whole, durable goods jobs are up by 800 with primary metals, the largest industry, adding 200 new positions. However, there are some signs of softening in the manufacturing sector which suggests that the problems experienced of late by these industries nationwide may be filtering into Mercer County. Job growth appears to have eased considerably this year. On a seasonally adjusted basis, job levels in the third quarter are down slightly from first quarter readings. The average factory workweek, a leading indicator of hiring trends, stands at its lowest third quarter reading in three years.

Southeastern Quarter

Harrisburg-Lebanon-Carlisle

Following Statewide and national trends, the pace of the economic expansion has slowed in the four counties of the Harrisburg-Lebanon-Carlisle metro area. However, this slowdown has done little damage to the region's reputation as being one of the strongest in the State. This strong performance in recent years is a major cause of the inflow of people into the region. In Cumberland, 7,900 more individuals moved into the County between 1980 and 1987 than migrated out. In Lebanon, the figure is 1,900. In Perry, there was a net inflow totaling 2,700. The lone exception to this trend is Dauphin County where there was a net outflow of people totaling 1,300. This may simply represent a flow of individuals to suburban counties within the metro area.

The slowdown has affected the nonmanufacturing sector as job levels are up 2.4 percent this year compared to the 1982-1988 average of 3.2 percent. Still, the 256,400 positions in these establishments during the third quarter represent another record high. The services industries have added 2,600 new jobs this year. Retail trade job growth, at 1.2 percent this year, is down considerably from the 4 percent gain averaged over the 1982-1988 period. This may reflect the general slowdown in sales growth Statewide.

Construction jobs are up by 100 on a year-to-date basis through the third quarter. There are conflicting signals as to the direction of building activity. The value of contracts for residential work is up 13 percent while it is down by nearly one-half on the nonresidential side. The number of new housing units authorized by permit is down by one-fifth from the

Sharon Area[1]

	Ave. mo. value	Average monthly index seas. adj. (1977 = 100)		
	3 Q.'89	*3 Q.'89*	*2 Q.'89*	*3 Q.'88*
Employment *(in thousands)*				
Employed, no. of residents	50.8	104	106	100
Unemployed, no. of residents	2.1	52	60	65
Rate, seasonally adjusted	4.1			
Civilian labor force, no. of residents	52.9	100	102	97
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	44.0	98	97	94
Nonmfg. only, no. of jobs	32.4	112	112	108
Mfg. only, no. of jobs	11.6	71	71	68
Hrs. worked by production workers in mfg., *ave. weekly*	40.8	n.a.	n.a.	n.a.
Industrial electric power sales	***	114	116	117
Construction contracts awarded *(in millions of dollars)*	'89 Ytd (Jan-Sept)	Pct Change From Year-Ago Ytd		
Residential contracts only	13.6	– 6		
Nonresidential contracts only	12.3	+34		

[1]Mercer County

Harrisburg-Lebanon-Carlisle Area[1]

	Ave. mo. value	Average monthly index seas. adj. (1977 = 100)		
	3 Q.'89	*3 Q.'89*	*2 Q.'89*	*3 Q.'88*
Employment *(in thousands)*				
Employed, no. of residents	321.9	125	127	123
Unemployed, no. of residents	12.1	80	74	86
Rate, seasonally adjusted	3.7			
Civilian labor force, no. of residents	334.0	122	124	120
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	308.3	124	123	122
Nonmfg. only, no. of jobs	256.4	133	132	129
Mfg. only, no. of jobs	51.6	94	95	95
Hrs. worked by production workers in mfg., *ave. weekly*	39.5	n.a.	n.a.	n.a.
Industrial electric power sales	***	71	90	90
Construction contracts awarded *(in millions of dollars)*	'89 Ytd (Jan-Sept)	Pct Change From Year-Ago Ytd		
Residential contracts only	219.6	+13		
Nonresidential contracts only	110.4	– 42		

[1]Cumberland, Dauphin, Lebanon, and Perry Counties

Lancaster Area[1]

	Ave. mo. value	Average monthly index seas. adj. (1977 = 100)		
	3 Q.'89	*3 Q.'89*	*2 Q.'89*	*3 Q.'88*
Employment *(in thousands)*				
Employed, no. of residents	220.1	137	140	135
Unemployed, no. of residents	6.7	79	77	90
Rate, seasonally adjusted	3.0			
Civilian labor force, no. of residents	226.8	134	137	133
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	188.9	133	133	131
Nonmfg. only, no. of jobs	129.4	153	152	148
Mfg. only, no. of jobs	59.2	104	104	106
Hrs. worked by production workers in mfg., *ave. weekly*	40.5	102	102	102
Industrial electric power sales	***	142	146	141
Construction contracts awarded *(in millions of dollars)*	'89 Ytd (Jan-Sept)	Pct Change From Year-Ago Ytd		
Residential contracts only	238.1	+15		
Nonresidential contracts only	97.1	+23		

[1]Lancaster County

first nine months of 1988 according to a sample of permit issuing places.

After rising in 1987 and holding steady in 1988, factory jobs have trended down this year. Third quarter's 51,600 positions represent a loss of 900 jobs relative to a year ago. In that the average workweek, at 39.5 hours, is the lowest third quarter reading since 1985, there is little likelihood of near-term improvement in the factory job situation.

Third quarter brought with it the second consecutive decline in seasonally adjusted employment. The 321,900 residents counted as employed represent an unadjusted gain of 4,100 from the second quarter. Typically, the third quarter results in a gain of 9,600. Compared to 1988:IIIQ, employment is up by 5,200. This is large enough to reduce the number of unemployed by 900 and absorb an inflow of 4,300 into the labor force. As a result, the jobless rate, at 3.6 percent, unadjusted, is down 0.3 percentage point from a year ago.

Lancaster

Third quarter deterioration in the resident employment data overstates the degree to which economic growth has slowed so far this year in Lancaster County. On a seasonally adjusted basis, employment is down 2.2 percent from second quarter readings. At 220,100, employment is up by 2,500 from a year ago. This represents the smallest advance since the final quarter of 1985. Still, for the year, employment is up 3.8 percent, slightly higher than the 3.3 percent gain averaged over the 1982-1988 period. Throughout 1989, jobless rates have been at their lowest levels since the early 1970s.

While growth is off a bit from previous years, nonfactory job totals continue to advance, albeit by just a slight 100 on a seasonally adjusted basis from the second quarter. The 129,400 positions in these establishments during the July-September period represent a gain of 4,200 from a year ago. Construction activity appears to be at least holding its own as job totals are up by 500 so far this year. The value of contracts awarded is up on both the residential and nonresidential sides. Results from a sample of authorities reporting the number of new housing units authorized by permit suggest that activity is up a bit from a year ago, though not by much.

After rising in every year but one since 1983, manufacturing jobs are on the decline. All told, there are 59,200 positions in these industries in the third quarter. For the year, jobs are off by 700 from the first nine months of 1988. On a more positive note, sales of electricity continue to climb, although somewhat erratically, and the average workweek remains at or near the record high. At best, manufacturing earnings are keeping up with prices. During the third quarter, average hourly earnings are up 4.5 percent from a year ago. Prices, as measured by the consumer price index, are up 4.7 percent.

A definite slowing trend is apparent in nonfarm job growth. Not only is growth down so far this year compared to the 1982-1988 period, but it has declined in each of the past two quarters. At 1.8 percent, annual job growth in the third quarter is down from 2.8 percent in the first quarter and 2.4 percent in the second. In summary, recent trends suggest that economic growth in Lancaster County has topped out. Nonetheless, most indicators suggest that the level of economic activity continues to move forward.

Philadelphia

Economic growth is minimal in the Philadelphia metropolitan area as most indicators suggest that activity is unchanged from a year ago. Nonfarm jobs are up a minimal 0.4 percent in the third quarter compared to a year ago. This growth rate is down from that in the first and second quarters of this year. Job growth over the past several years has differed considerably among the five Pennsylvania counties in the region. Between 1983 and 1988, job growth averaged 0.8 percent in Philadelphia County. Elsewhere, job gains averaged anywhere from 3.1 percent in Delaware County to 5.6 percent in Chester County.

It appears as if factory jobs will decline for the fifth straight year in the metro area. So far this year, jobs are off by 4,300 from the first nine months of 1988. The 364,100 positions in these industries during the third quarter represent a record low after seasonal trends are discounted. Durable goods jobs are down by 4,100 so far this year and nondurable goods jobs are off by 200. Despite the downtrend in jobs, industrial power sales, a proxy for production, continue to hover around record highs, as does the average workweek.

Although jobs continue to move forward, growth this year has slowed considerably on the nonmanufacturing side. Labor-management disputes distorted the August and September numbers, so third quarter trends are deceiving. During the first seven months of the year, jobs were up 1.4 percent from a year ago. During the previous six years, nonfactory job growth averaged 3.1 percent annually. Retail trade and services job gains this year are only about one-half their average from the 1982-1988 period.

While job levels are up by 1,300 through the first three quarters of 1989 to 105,500, other measures of construction activity in the region cast doubt on the industry's health. The value of residential contract awards is down 7 percent in 1989 while nonresidential values are up 13 percent. The number of new housing units authorized by permit is down more than one-fourth this year as all five Pennsylvania counties show a downtrend. On the nonresidential side, new permits are off 9 percent, with all of the decline concentrated in Bucks and Delaware Counties.

Philadelphia Area[1]

	Ave. mo. value	Average monthly index seas. adj. (1977 = 100)		
	3 Q.'89	*3 Q.'89*	*2 Q.'89*	*3 Q.'88*
Employment *(in thousands)*				
Employed, no. of residents	2,347.1	123	125	123
Unemployed, no. of residents	93.8	51	50	56
Rate, seasonally adjusted	3.7			
Civilian labor force, no. of residents	2,440.9	117	119	118
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	2,175.8	119	120	119
Nonmfg. only, no. of jobs	1,808.8	131	132	131
Mfg. only, no. of jobs	364.1	82	82	82
Hrs. worked by production workers in mfg., *ave. weekly*	40.3	102	102	101
Industrial electric power sales	***	112	115	113
Construction contracts awarded *(in millions of dollars)*	'89 Ytd (Jan-Sept)	Pct Change From Year-Ago Ytd		
Residential contracts only	1,394.5	– 7		
Nonresidential contracts only	1,454.7	+13		

[1]Bucks, Chester, Delaware, Montgomery, and Philadelphia Counties, Pa., and Burlington, Camden, and Gloucester Counties, N.J.

Resident employment is down considerably in the third quarter on a seasonally adjusted basis from the previous three months. The 2,347,100 residents officially listed as employed during the July-September period represent a decline of 8,400 from a year ago, the first year-ago decline since the first quarter of 1983. As a result, the 0.4 percentage point drop in the jobless rate to 3.8 percent (not seasonally adjusted) over the year is deceiving. It is solely the result of a net outflow totaling 16,900 from the labor force.

Trends nationwide will again determine the course of the southeastern Pennsylvania economy into 1990. The outlook for the U.S. is for sluggish activity with barely enough growth to avoid a recession. As a result, the economic situation in the Philadelphia region is unlikely to improve over the short-term. Despite recent softening, the 1980s have been good for the region. This is reflected in the net growth in the population resulting from the movement of individuals into and out of the region. In Bucks, Chester, and Montgomery Counties, there was a net inflow of individuals equal to 4.2 percent of the 1980 population during the first eight years of the decade. In Philadelphia, 85,100 more people left the County than migrated in during the 1980-1987 period while the net outflow totaled 3,200 in Delaware County.

Reading

Trends through the third quarter suggest that although the Berks County economy is not immune to the economic slowdown apparent nationwide, the slowdown has not been as pronounced as in most other areas of the Commonwealth. The July-September period did bring with it the second consecutive quarterly drop in seasonally adjusted employment. The 173,600 residents listed as employed still represent a gain of 3,600 from the same period a year ago, the smallest advance in two years. The jobless rate continues to track downward as third quarter's seasonally adjusted 3.6 percent reading is the lowest since 1974.

At 2.5 percent in the third quarter, the annual growth in nonfarm jobs is down from first quarter's 3.3 percent gain. Still, it is the third strongest advance in the Commonwealth, trailing the gains in only the Sharon and State College areas. Nonmanufacturing job growth continues along at a respectable clip. Through the first nine months of the year, the number of nonmanufacturing positions is up 3.4 percent, a bit stronger than the 3.1 percent averaged during the previous six years. In the third quarter, nonmanufacturing jobs total 105,200, another new record after seasonal adjustment.

Building-related trends are positive as jobs in the "construction and mining" category are up by 400 on a year-to-date basis. The value of construction contracts awarded is also up nicely. A sample of permit issuing places suggests that the number of new housing units authorized by permit is also on the rise. Jobs in the services industries are up by 1,100 so far in 1989 while the retail trade industry has added 800 positions.

Even trends in the factory sector are fairly impressive. Though down a bit on a seasonally adjusted basis from second quarter readings, the 48,500 factory jobs in Berks County represent a gain of 700 from last year's third quarter. Trends in the average factory workweek and industrial power sales also are positive. Job levels are up 300 in each of the region's two largest manufacturing industries, electronic equipment and nonelectrical machinery/transportation equipment. Given that factory trends nationwide are softening and are expected to remain unimpressive, the next several months may not be quite as encouraging in the Reading metro area's manufacturing sector.

York

Most evidence points to a slowdown in the pace of economic growth in Adams and York Counties according to trends through September. Several years of solid gains prior to the current downtrend left the economy on solid ground. As with the State, it will take more than the weaknesses noted in recent months to bring about an appreciable slump. The slowing pace of the expansion is evident in nonfarm job growth. At 2.1 percent this year, job gains are off from the 3.2 percent advance averaged over the 1983-1988 period. At just 1.4 percent in the third quarter, job growth from a year ago is just one-half the first quarter gain. Statewide, job growth in the third quarter is 1 percent.

Reading Area[1]

	Ave. mo. value	Average monthly index seas. adj. (1977 = 100)		
	3 Q.'89	*3 Q.'89*	*2 Q.'89*	*3 Q.'88*
Employment *(in thousands)*				
Employed, no. of residents	173.6	126	128	123
Unemployed, no. of residents	6.0	73	73	84
Rate, seasonally adjusted	3.6			
Civilian labor force, no. of residents	179.6	123	124	121
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	153.9	117	117	114
Nonmfg. only, no. of jobs	105.2	131	130	127
Mfg. only, no. of jobs	48.5	96	96	94
Hrs. worked by production workers in mfg., *ave. weekly*	41.1	105	104	104
Industrial electric power sales	***	142	155	139
Construction contracts awarded *(in millions of dollars)*	'89 Ytd (Jan-Sept)	Pct Change From Year-Ago Ytd		
Residential contracts only	132.4	+24		
Nonresidential contracts only	121.5	+35		

[1]Berks County

York Area[1]

	Ave. mo. value	Average monthly index seas. adj. (1977 = 100)		
	3 Q.'89	*3 Q.'89*	*2 Q.'89*	*3 Q.'88*
Employment *(in thousands)*				
Employed, no. of residents	215.1	137	140	135
Unemployed, no. of residents	8.8	90	82	92
Rate, seasonally adjusted	4.1			
Civilian labor force, no. of residents	224.0	134	137	133
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	178.0	126	126	124
Nonmfg. only, no. of jobs	117.2	143	142	139
Mfg. only, no. of jobs	60.8	102	104	103
Hrs. worked by production workers in mfg., *ave. weekly*	41.6	102	101	104
Industrial electric power sales	***	108	115	126
Construction contracts awarded *(in millions of dollars)*	'89 Ytd (Jan-Sept)	Pct Change From Year-Ago Ytd		
Residential contracts only	186.8	+ 4		
Nonresidential contracts only	56.7	-49		

[1]Adams and York Counties

Through 1988, factory job levels had risen two straight years and in three of the past five. During the first half of this year, manufacturing jobs rose 900 from a year ago. During the third quarter, they are off by 400 compared to the July-September period in 1988 as they stand at 60,800. For the year, durable goods jobs are up by 400 and nondurables by 100. The average workweek, although up a bit from second quarter readings, has been on an erratic decline since the beginning of 1988. Industrial power sales have also declined in recent months.

During the 1982-1986 period, nonmanufacturing job growth averaged a sound 4 percent as these industries generated the bulk of all new jobs. This year, these industries continue to add jobs, but at a slower rate as job growth has declined to 2.8 percent. The third quarter finds 117,200 positions in these establishments, another record high after seasonal adjustment. Construction jobs are up by 300 this year. The value of residential contracts is up only minimally while nonresidential values have declined. The number of new housing units authorized in Adams County is down by one-fourth so far this year but the number of nonresidential permits is up one-fifth. A sample of permit issuing authorities in York County suggests that residential permitting activity is down there, too.

Typically, the third quarter results in an additional 5,100 residents counted as employed compared to the previous three months. This year, employment is actually down from the second quarter, resulting in a steep seasonally adjusted decline. Still, the 215,100 residents counted as employed in the third quarter represent a gain of 2,100 over the year. This helps absorb a net inflow into the labor force totaling 1,900 and reduce the number of unemployed by 300. As a result, the jobless rate, at 3.9 percent before seasonal adjustment, is down 0.2 percentage point from last year's third quarter reading.

— William D. Anderson

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